

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF FLEMING- MASON ENERGY COOPERATIVE, INC. FOR PASS-THROUGH OF EAST KENTUCKY POWER COOPERATIVE, INC. WHOLESALE RATE ADJUSTMENT	) ) ) ) )	CASE NO. 2021-00109
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ORDER

On April 1, 2021, Fleming-Mason Energy Cooperative, Inc. (Fleming-Mason Energy) filed an application to pass through any wholesale rate adjustment granted to East Kentucky Power Cooperative, Inc. (EKPC) in Case No. 2021-00103<sup>1</sup> pursuant to KRS 278.455(2) and 807 KAR 5:007. On July 30, 2021, Fleming-Mason Energy filed a revised schedule of proposed rates for its pass-through of EKPC's wholesale rate adjustment based upon the Stipulation, Settlement Agreement and Recommendation filed in Case No. 2021-00103.

By Order entered April 15, 2021, Fleming-Mason Energy's proposed rates were suspended up to and including October 5, 2021. On April 30, 2021, AppHarvest Morehead Farm, LLC (AppHarvest Morehead) filed a motion, pursuant to 807 KAR 5:001, Section 4(11), requesting to intervene. On May 7, 2021, Fleming-Mason Energy filed a response in objection to AppHarvest Morehead's motion to intervene and on May 14, 2021, AppHarvest Morehead filed a rely in support of its motion to intervene. By Order

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<sup>1</sup> Case No. 2021-00103, *Electronic Application of East Kentucky Power Cooperative, Inc. for a General Adjustment of Rates, Approval of Depreciation Study, Amortization of Certain Regulatory Assets, and Other General Relief* (filed Apr. 6, 2021).

dated May 24, 2021, the Commission granted AppHarvest Morehead's motion to intervene.

In accordance with the procedural schedule established on April 15, 2021, Fleming-Mason Energy responded to three rounds of discovery, AppHarvest Morehead responded to one round of discovery, and both parties filed written testimony. On August 9, 2021, the two parties filed a joint motion requesting approval to file simultaneous briefs no later than September 1, 2021, in lieu of a hearing and by an Order issued on August 13, 2021, the Commission granted the motion. Fleming-Mason Energy and AppHarvest Morehead filed their respective briefs on September 1, 2021. This matter now stands submitted for a decision.

#### LEGAL STANDARD

The review of Fleming-Mason Energy's application is governed by KRS 278.455, which provides that authorized increases and decreases in a generation and transmission (G&T) cooperative's rates may be flowed through to the customers of a distribution cooperative. Specifically, KRS 278.455(2) states, in relevant part, that an authorized increase or decrease in a G&T cooperative's rates:

[M]ay, at the distribution cooperative's discretion, be allocated to each class and within each tariff on a proportional basis that will result in no change in the rate design currently in effect. In the event of an increase in the wholesale rates and tariffs of the wholesale supplier by the Public Service Commission, the rates and tariffs of the distribution cooperative that have been revised on a proportional basis to result in no change in the rate design shall be authorized and shall become effective on the same date as those of the wholesale supplier.

The review of Fleming-Mason Energy's application is also governed by Commission regulation 807 KAR 5:007, which establishes the filing and notice

requirements for a distribution cooperative when rates change to reflect a change in the rates of its wholesale supplier. Specifically, pursuant to 807 KAR 5:007 Section 1(3) and Section 2(2), Fleming-Mason Energy is one of the 16 owner-member cooperatives of EKPC, and in accordance with KRS 278.455, Fleming-Mason Energy seeks to pass-through the increase in EKPC's wholesale rates. In accordance with 807 KAR 5:007 Sections 1(4), 2(1), and 2(2), Fleming-Mason Energy included with its application proposed tariffs, a comparison of current and proposed rates, and a billing analysis to demonstrate that the rate change does not alter the rate design currently in effect and the revenue change has been allocated to each class and within each tariff on a proportional basis.

### BACKGROUND

Fleming-Mason Energy is a not-for-profit, member-owned, rural electric distribution cooperative organized under KRS Chapter 279. Fleming-Mason Energy is engaged in the business of distribution retail electric power to 25,163 members in Bath, Bracken, Fleming, Lewis, Mason, Nicholas, Robertson, and Rowen counties, Kentucky.<sup>2</sup> Fleming-Mason Energy does not own any electric generating facilities and is one of the 16-member cooperatives that own and receive wholesale power from EKPC. Fleming-Mason Energy's last general rate adjustment was effective December 20, 2007, in Case No. 2007-00022.<sup>3</sup> Fleming-Mason Energy was approved for a revenue neutral change in its

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<sup>2</sup> *Annual Report of Fleming-Mason Energy to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2020* at 44 and 52.

<sup>3</sup> Case No. 2007-00022, *Adjustment of Rates of Fleming-Mason Energy Cooperative, Inc.*, (Ky. PSC Dec. 20, 2007).

rate design for its residential rate class, as well as approval for new optional rates for the residential class on July 2, 2013, in Case No. 2012-00369.<sup>4</sup>

### PROPOSED PASS-THROUGH RATE ADJUSTMENT

Fleming-Mason Energy proposed to pass-through EKPC's proposed wholesale rate increase based upon the 2019 billing information for each rate class in Fleming-Mason Energy's Commission-approved tariffs. Fleming-Mason Energy choose 2019 because it corresponds to the 2019 test period used by EKPC in Case No. 2021-00103.<sup>5</sup> After adjustments for riders, billing adjustments, and other non-base-rate billing items,<sup>6</sup> Fleming-Mason Energy allocated EKPC's revenue increase first to each rate class and then to the individual base rate billing components of each class in order to maintain the current rate design in effect.<sup>7</sup> Except for retail members served under a special electric contract, no distinctions were made between retail rate classes taking service under EKPC's different wholesale rate classes. For special electric contracts, the retail rate increases were determined using specific data provided by EKPC and is consistent with the treatment applied to these particular classes in EKPC's last rate case, Case No. 2010-00167.<sup>8</sup> For vacant rate classes, if the per-unit charges were identical to another existing

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<sup>4</sup> Case No. 2012-00369, *Application of Fleming-Mason Energy Cooperative, Inc. for an Order Authorizing a Change in Rate Design for Its Residential Rate Classes and the Offering of Several Optional Rate Designs for the Residential Rate Classes*, (Ky. PSC July 2, 2013).

<sup>5</sup> Application, Exhibit 6, Direct Testimony of John Wolfram (Wolfram Testimony) at 3.

<sup>6</sup> These limited adjustments include a base energy charge adjustment due to a Commission approved Fuel Adjustment Clause roll-in effective February 1, 2020, and a few large commercial or industrial retail members who either switched rates or received revised contract demand amounts since 2019. Wolfram Testimony at 4.

<sup>7</sup> Wolfram Testimony at 3.

<sup>8</sup> *Id.* at 9. Case No. 2010-00167, *Application of East Kentucky Power Cooperative, Inc. for General Adjustment of Electric Rates* (Ky. PSC Jan. 14, 2011).

rate class, the per-unit charge applied was equivalent.<sup>9</sup> Otherwise, a vacant rate classes' increase to each per-unit charge was the same percentage as the overall base rate increase for Fleming-Mason Energy.<sup>10</sup>

Fleming-Mason Energy stated that it considered the recent Commission Order in Case No. 2020-00095<sup>11</sup> (Kenergy Order), where the Commission clarified "proportional" in light of the language contained in KRS 278.455(2).<sup>12</sup> The Commission explained that proportional increases should result in an increase that would avoid undoing any past rate design and avoid distorting the current rate design while maintaining the spirit of the regulation.<sup>13</sup> The Commission stated the revenue generated from each class and each of the class's rate components must continue to contribute in the same proportion to the total distribution cooperative revenue.<sup>14</sup> To accomplish this, the Commission explained that each class's revenue contribution percentage should be determined based upon the most recent Commission-approved revenue allocation. The revenue contribution percentage is then applied to the total of the distribution cooperative's portion of the G&T increase.<sup>15</sup>

Fleming-Mason Energy stated that the proposed rates were originally calculated based on the allocations from the last rate Order, but asserted that the Kenergy Order

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<sup>9</sup> Wolfram Testimony at 9.

<sup>10</sup> *Id.*

<sup>11</sup> Case No. 2020-00095, *Electronic Application of Kenergy Corp. for a Declaratory Order* (Ky. PSC Mar. 11, 2021).

<sup>12</sup> *Id.* at 4 and Fleming-Mason Energy's Brief at 4.

<sup>13</sup> Kenergy Order at 7.

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

method produced self-evidently unreasonable results if the last approved revenue allocation was not consistent with the test year.<sup>16</sup> Fleming-Mason Energy argued that due to changes in the customers mix within the rate calculation, specifically for those rates with a three-part rate design, the demand charge could actually decrease leading to the conclusion that it would be unreasonable to pass-through a wholesale increase in such a manner.<sup>17</sup> Thus, the pass-through was allocated consistent with the method approved in the pass-through filings for EKPC's last two rate cases so not to run afoul of the proportionality standard in KRS 278.455(2).<sup>18</sup> Fleming-Mason Energy further argued that although the Kenenergy Order stated that any revenue distortions could be addressed through subsequent rate filings by a distribution cooperative, near-simultaneous rate cases would be filed due to the possible skewing effect between retail customer classes and such a result would be inconsistent with the enactment of KRS 278.455, where the intent is to avoid the need for each distribution cooperative to file a rate case.<sup>19</sup>

#### APPHARVEST MOREHEAD COMMENTS

AppHarvest Morehead's expert witness, Suedeem G. Kelly, filed testimony regarding the proposed allocation of Fleming-Mason Energy's portion of EKPC's wholesale rate increase. Ms. Kelly noted that the characteristics of customer classes and services can change over time, and with these changes, the cost allocation and rate design approved as being fair, just and reasonable in prior cases may no longer be fair,

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<sup>16</sup> Wolfram Testimony at 4–5 and Fleming-Mason Energy's Brief at 5.

<sup>17</sup> Wolfram Testimony at 5, Fleming-Mason Energy's Response to Staff's First Request for Information (Staff's First Request) (filed May 26, 2021), Item 2 and Fleming-Mason Energy's Brief at 5.

<sup>18</sup> Wolfram Testimony at 5–6.

<sup>19</sup> *Id.* at 8 and Fleming-Mason Energy's Brief at 6.

just and reasonable.<sup>20</sup> Ms. Kelly averred that the addition of the AppHarvest Morehead load is such an example and, this change in customer classes necessitates changes to Fleming-Mason Energy's proposed cost allocation to ensure the allocation is fair, just and reasonable for all of Fleming-Mason Energy's rate classes.<sup>21</sup> Specifically, Ms. Kelly disagreed how the proposed proportional allocation was applied to rate classes, such as AppHarvest Morehead that were vacant during the test year.<sup>22</sup> Ms. Kelly asserted that AppHarvest Morehead should not pay any share of EKPC's annual revenue increase stating that, since AppHarvest Morehead was not a customer during the 2019 test year, but a new 2020-2021 customer, AppHarvest Morehead is already contributing to the revenue increase. Ms. Kelly contended that if AppHarvest Morehead's rates were increased, AppHarvest Morehead's increased payments to Fleming-Mason Energy would result in an over collection and thus, AppHarvest Morehead would be contributing more than their fair share of the desired revenue increase. Ms. Kelly referenced the Ken energy Order in support for her opinion in noting the Commission's desire was to avoid undoing any past rate design and avoid distorting the current rates design.<sup>23</sup> She continued stating that the proportional assignment of the EKPC revenue requirement increase to a new customer that was not party to the test year revenue would go against the Ken energy Order

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<sup>20</sup> Direct Testimony of Suedeen G. Kelly (Kelly Testimony) (filed July 1, 2021) at 3.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* at 4.

<sup>23</sup> *Id.* at 6.

and distort the current rate design.<sup>24</sup> Therefore, Ms. Kelly requested that the Commission reject Fleming-Mason's Energy's proposal to increase AppHarvest Morehead's rates.<sup>25</sup>

Ms. Kelly also provided comments on whether the existing customer classification of AppHarvest Morehead is suitable and reasonable and proposed that the Commission adopt a new agricultural technology (AgTech) customer class for AppHarvest Morehead and other AgTech customers.<sup>26</sup> In support, Ms. Kelly stated that AgTech load characteristics, such as daily and seasonal off-peak loads and a high demand, justifies the development of an AgTech rate class.<sup>27</sup> Ms. Kelly also proposed that an AgTech customer class should include an Economic Development Rider (EDR) tailored to the AgTech sector as the addition of AgTech customers allows for economic development benefits such as job creation and cutting-edge agricultural technologies.<sup>28</sup> Ms. Kelly argued that although the current Industrial Power Agreement with Fleming-Mason Energy and EKPC includes an EDR, that particular EDR is not applicable to AgTech customers as it was designed for large industrial customers who maintain a 60 percent load factor and such, a load factor is not achievable from AgTech customers.<sup>29</sup>

AppHarvest Morehead further addressed its opposition to the proposed rate increase in a brief filed September 1, 2021. Here, AppHarvest Morehead reiterated Ms. Kelly's contention that the proposed rates were not fair, just and reasonable. AppHarvest

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<sup>24</sup> *Id.*

<sup>25</sup> *Id.* at 5.

<sup>26</sup> *Id.* at 1 and 7.

<sup>27</sup> *Id.* at 7–8.

<sup>28</sup> *Id.* at 8.

<sup>29</sup> *Id.*

Morehead supported this conclusion stating that EKCP and Fleming-Mason Energy's selection of the 2019 test year results in stale information and is not appropriate since AppHarvest Morehead was not a customer during the test year.<sup>30</sup> AppHarvest Morehead further argued that using the COVID-19 pandemic as justification for a test year that is nearly two years old was inappropriate.<sup>31</sup> AppHarvest Morehead claimed that reliance on a historical test year mechanism to construct a future know and measurable rate for AppHarvest Morehead fails to recognize the additional revenue to Fleming-Mason Energy.<sup>32</sup> AppHarvest Morehead stated that the issues could have been addressed if a cost of service study was conducted instead of relying on KRS 278.455, for a direct pass-through.<sup>33</sup> As a solution, AppHarvest Morehead proposed to reduce Fleming-Mason Energy's total revenue increase by AppHarvest Morehead's revenues and then recalculate the allocation and resulting rates.<sup>34</sup> Or alternatively, net the AppHarvest Morehead revenue to only AppHarvest Morehead for a net increase of zero to AppHarvest Morehead.<sup>35</sup>

#### FLEMING-MASON ENERGY'S RESPONSE

In response, Fleming-Mason Energy's expert witness, John Wolfram, disagreed with Ms. Kelly's recommendation that it should not pay a proportional share of EKPC's pass-through increase in its revenue requirement stating that AppHarvest Morehead is

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<sup>30</sup> AppHarvest Morehead's Brief at 2.

<sup>31</sup> *Id.*

<sup>32</sup> *Id.*

<sup>33</sup> *Id.* at 3.

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

not exempt from the proportionality requirements of KRS 278.455(2).<sup>36</sup> Mr. Wolfram further noted in Case No. 2006-00473,<sup>37</sup> the Commission stated that the statute and the administrative regulation surrounding the allocation of the wholesale rate increase, as well as the Commission's requirement, is that the distribution cooperative follow a "strict adherence to the existing proportion of revenues at retail, by rate mechanism component."<sup>38</sup> Mr. Wolfram stated that Ms. Kelly seems to be promoting a change in the retail rate design that is applicable to only AppHarvest Morehead and any retail rate design change is not appropriate in a pass-through case.<sup>39</sup>

Mr. Wolfram also disagreed with Ms. Kelly's contention that AppHarvest Morehead is already contributing to the desired revenue requirement increase and that raising AppHarvest Morehead's rates will result in an over-collection of the desired annual revenue. In support of this disagreement, Mr. Wolfram stated that while AppHarvest Morehead did not contribute to Fleming-Mason Energy's revenues in the test period, Fleming-Mason Energy also did not incur the wholesale purchased power costs associated with serving AppHarvest Morehead in the test period.<sup>40</sup> Thus, like the fact that the revenue used in determining Fleming-Mason Energy's retail rates excludes revenue from AppHarvest Morehead, Fleming-Mason Energy's share of EKPC's revenue

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<sup>36</sup> Rebuttal Testimony of John Wolfram (filed July 23, 2021) (Wolfram Rebuttal) at 2.

<sup>37</sup> Case No. 2006-00473, *Application of Big Sandy Rural Electric Cooperative Corporation to Pass-through an Increase of Its Wholesale Power Supplier Pursuant to KRS 278.455(2)*, (Ky. PSC Dec. 5, 2007).

<sup>38</sup> Wolfram Rebuttal at 3 and Fleming-Mason Energy's Brief at 8.

<sup>39</sup> Wolfram Rebuttal at 3

<sup>40</sup> *Id.* at 4 and Fleming-Mason Energy's Brief at 9.

requirements excludes any costs for serving AppHarvest Morehead.<sup>41</sup> Hence, AppHarvest Morehead is only focusing on the revenue side of the equation, and not giving equal credit to the expense side of the equation.<sup>42</sup>

Regarding the proposed AgTech customer class, Mr. Wolfram maintained that a new retail rate class is not required, nor should be undertaken as it is outside the scope of a pass-through rate filing.<sup>43</sup> Mr. Wolfram further disagreed with the recommendation of an AgTech EDR as such would undo the past rate design, distort the current rate design, and violate the spirit of the pass-through regulation.<sup>44</sup>

Mr. Wolfram did agree with Ms. Kelly that relying on the Kenergy Order leads to anomalous results and emphasized the importance of the proper allocation of the revenue increase noting that relying on the last rate order to allocate the revenue increase instead of relying on test year data was problematic as applying the last rate order component percentages can yield rates that result in a change to the current rate design.<sup>45</sup> Mr. Wolfram further noted that relying on data from the last rate order exacerbates the issues raised by AppHarvest Morehead and all other customers served in the Large Industrial Service rate classes.<sup>46</sup>

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<sup>41</sup> Wolfram Rebuttal at 4 and Fleming-Mason Energy's Brief at 9.

<sup>42</sup> Wolfram Rebuttal at 4.

<sup>43</sup> *Id.* at 5.

<sup>44</sup> *Id.*

<sup>45</sup> *Id.* at 6 and Fleming-Mason Energy's Brief at 4.

<sup>46</sup> Wolfram Rebuttal at 6–7.

In its brief, Fleming-Mason Energy stated that AppHarvest Morehead’s request to be excluded from any rate increase is unreasonable and contrary to law.<sup>47</sup> Fleming-Mason Energy maintained that Ms. Kelly ignores the clear language of KRS 278.455(2) which states “any revenue increase authorized by the Commission . . . that is to flow through the effects of an increase or decrease in wholesale rates may, at the distribution cooperative’s discretion, be allocated to each rate class and within each tariff on a proportional basis that will result in no change in the rate design **currently** in effect.” (Emphasis added.)<sup>48</sup> Fleming-Mason Energy argued that the purpose of the instant case is to flow through the current effects of the wholesale rate increase and AppHarvest Morehead is currently a customer of Fleming-Mason Energy and takes service pursuant to an approved retail tariff.<sup>49</sup> Fleming-Mason Energy also noted that there are other customers who were not taking service in the test year, but who are currently and these customers will also be receiving their portion of the rate increase.<sup>50</sup> Fleming-Mason Energy continued arguing that if AppHarvest Morehead does not receive a rate increase, other customer classes would be subsidizing AppHarvest Morehead until the next wholesale rate case or base rate case for Fleming-Mason Energy which diverges from the Commission’s precedent of removing inter-class subsidization between rate classes.<sup>51</sup>

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<sup>47</sup> Fleming-Mason Energy’s Brief at 7.

<sup>48</sup> *Id.*

<sup>49</sup> *Id.*

<sup>50</sup> *Id.* at 8.

<sup>51</sup> *Id.*

Fleming-Mason Energy further stated that it does not have the discretion to forego the proportional allocation of the increase to AppHarvest Morehead as doing so would violate the “strict adherence” requirement to the existing proportion of revenues at retail, by rate mechanism component set forth in the final Order in Case No. 2006-00473.<sup>52</sup> Fleming-Mason Energy stated that this case is a pass-through, not a full rate case and by not applying the proportional increase to AppHarvest Morehead a change in rate design ensues, which is not permitted.<sup>53</sup> Fleming-Mason Energy maintained that AppHarvest Morehead failed to cite any authority that current customers should be excluded from a rate increase just because it was not a customer during the test period and such a contention is unrealistic as Fleming-Mason Energy would have to account for all customers, not just AppHarvest Morehead, that were not customers in 2019 and such an adjustment is unrealistic and a logistic and billing nightmare.<sup>54</sup>

#### DISCUSSION

Based upon the case record and being otherwise sufficiently advised, the Commission finds that, due to the 36,355,254 annualized increase in EKPC’s wholesale rates for service rendered on and after October 1, 2021, that was approved by the Commission in Case No. 2021-00103, that Fleming-Mason Energy’s request for approval of a pass-through rate increase pursuant to KRS 278.455(2) should be approved.

The Commission further finds that, based on sufficient evidence in the case records, Fleming-Mason Energy met its burden of proof, in accordance with

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<sup>52</sup> *Id.* at 8–9.

<sup>53</sup> *Id.* at 9.

<sup>54</sup> *Id.* at 11.

KRS 278.455(2), that the rate change does not alter the rate design currently in effect and that the revenue change has been allocated to each class and with each tariff on a proportional basis. This finding is based upon the Commission's review of the approach proposed by Fleming-Mason Energy to pass-through the increase of EKPC's wholesale rates and the allocation of such increase to its retail rates. The Commission recognizes the concern over using the last approved revenue allocation, especially given the anomalous results that are especially present in those distribution cooperatives that have not filed for a general rate increase for a substantial time.<sup>55</sup> In the Kenergy Order, we expressed our concern that rate increases, particularly revenue neutral increases, may result in a change of revenue allocation due to the change in rate design. For example, if a distribution cooperative proposes a revenue neutral rate design based upon a test year that differs from a Commission approved test year, the class revenue allocation may differ, thus altering the approved allocation and rate design. Based upon this review, the Commission finds that Fleming-Mason Energy's approach complies with the provisions of KRS 278.455(2) and 807 KAR 5:007, Section 2(2), and, therefore, should be accepted. However, any revenue neutral case filed as a general rate case or under the Commission approved streamlined process in Case No. 2018-00407<sup>56</sup> will apply the methodology outlined in the Kenergy Order.

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<sup>55</sup> For example, the last general rate increase for Salt River Electric Cooperative (Salt River Electric) was September 28, 1993, hence the necessary information needed to obtain the appropriate revenue allocation was not readily available. See Case No. 2021-00116, *Electronic Application of Salt River Electric Cooperative Corporation for Pass-Through of East Kentucky Power Cooperative, Inc. Wholesale Rate Adjustment*, Salt River Electric's Response to Staff's First Request (filed May 26, 2021), Items 3 and 4.

<sup>56</sup> Case No. 2018-00407, *A Review of the Rate Case Procedure for Electric Distribution Cooperatives* (Ky. PSC Dec. 20. 2019).

Regarding AppHarvest Morehead's request that the proposed rate increase be denied for AppHarvest Morehead's rate class, the Commission finds that the proposed method for the rate increase for rate classes that are vacant during the test year, but are no longer, such as the rate class AppHarvest Morehead belongs to, should receive rate class per-unit charges that are of the same percentage as the overall base rate increase for Fleming-Mason Energy. The additional revenue received from the increase should not cause an over-collection by Fleming-Mason Energy as this represents the additional wholesale power costs that Fleming-Mason Energy must pay. However the Commission concludes that due to the time since Fleming-Mason Energy's last rate case, the addition of the AppHarvest Morehead load, and the current wholesale pass through a base rate case should be considered by Fleming-Mason Energy in the near future. The Commission also denies AppHarvest Morehead's request for an AgTech Rate Class and corresponding EDR as the Commission concludes that the pass-through application is not the appropriate venue for the introduction of new rate classes, but either a special contract or a base rate case is.

In reviewing Fleming-Mason Energy's proposed revenue increase allocation under the settlement, the Commission notes that the proposed increase, \$2,391,744, differs from the \$2,396,133 increase allocated to Fleming-Mason Energy by EKPC.<sup>57</sup> Fleming-Mason Energy maintained that EKPC calculated member system rates on a wholesale rate class basis, and not by member system, while Fleming-Mason Energy's pass-through exhibit was prepared individually.<sup>58</sup> Fleming-Mason Energy further maintained

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<sup>57</sup> Fleming-Mason Energy's Response to Staff's Third Request for Information (filed Sept. 17, 2021), Item 1.

<sup>58</sup> *Id.*

that the difference was due to rounding and calculation of the fuel adjustment charge and environmental surcharge, and was negligible.<sup>59</sup> In its response, Fleming-Mason Energy did not provide adequate support to explain why the proposed increase for the member system differed from EKPC's calculation. While rounding errors may occur in rate design, the Commission expects Fleming-Mason Energy to explain and support why inputs differ between the wholesale provider and the member system.<sup>60</sup>

Based upon the Commission's authorization of a \$36,355,254 annualized increase in EKPC's wholesale rates effective for service rendered on and after October 1, 2021, Fleming-Mason Energy's wholesale power cost will increase by \$2,300,540, or 3.5 percent, annually.<sup>61</sup> Furthermore, based upon Fleming-Mason Energy's proposed pass-through analysis as filed on July 30, 2021, the Commission will maintain the dollar denominated differences between the estimated wholesale increase and member system increase in the determination of the rates.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Fleming-Mason Energy are denied.
2. The approach proposed by Fleming-Mason Energy to allocate its portion of the increase in wholesale rates authorized in Case No. 2021-00103 is accepted.

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<sup>59</sup> *Id.*

<sup>60</sup> For example, there is a billing determinant difference between the special contract rate for Owen Electric Cooperative, Inc. (Owen Electric) and EKPC which results in differing revenues. See Case No. 2021-00115, *Electronic Application of Owen Electric Cooperative, Inc. for Pass-Through of East Kentucky Power Cooperative, Inc.'s Wholesale Rate Adjustment*, Owen Electric's Notice of Filing (filed July 30, 2021), Owen Electric filed Revised Exhibits of the proposed rates for the a pass-through of EKPC's wholesale rate adjustment, Staff 1-5-Owen-Settle-v2.xlsx and Case No. 2021-00103, *EKPC*, EKPC's Response to Staff's Post-Hearing Requests (filed Aug. 18, 2021), Item 10.

<sup>61</sup> See, Appendix A.

3. The rates and charges in Appendix B, attached hereto, are fair, just and reasonable for Fleming-Mason Energy to charge for service rendered on and after October 1, 2021.

4. Within 20 days of the date of this Order, Fleming-Mason Energy shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariffs as set forth in this Order reflecting that they were approved pursuant to this Order.

5. This case is closed and removed from this Commission's docket.

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By the Commission



ATTEST:

  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00109 DATED SEP 30 2021

<b>Rate B</b>				
<b>EKPC Member</b>	<b>Present</b>	<b>Final</b>	<b>Change</b>	<b>As Percent</b>
Big Sandy	\$ 341,987	\$ 350,744	\$ 8,757	2.6%
Blue Grass	\$ 10,757,845	\$ 11,035,263	\$ 277,418	2.6%
Clark	\$ -	\$ -	\$ -	
Cumberland Valley	\$ -	\$ -	\$ -	
Farmers	\$ -	\$ -	\$ -	
Fleming-Mason	\$ -	\$ -	\$ -	
Grayson	\$ 1,733,635	\$ 1,778,438	\$ 44,803	2.6%
Inter-County	\$ 3,853,087	\$ 3,952,115	\$ 99,029	2.6%
Jackson	\$ 3,261,843	\$ 3,345,035	\$ 83,192	2.6%
Licking Valley	\$ -	\$ -	\$ -	
Nolin	\$ 1,546,266	\$ 1,587,786	\$ 41,520	2.7%
Owen	\$ 15,691,907	\$ 16,113,009	\$ 421,101	2.7%
Salt River	\$ 7,849,642	\$ 8,048,401	\$ 198,759	2.5%
Shelby	\$ 9,959,655	\$ 10,210,443	\$ 250,788	2.5%
South Ky	\$ 3,987,957	\$ 4,089,565	\$ 101,608	2.5%
Taylor	\$ 831,893	\$ 853,592	\$ 21,699	2.6%
<b>Total</b>	\$ 59,815,719	\$ 61,364,392	\$ 1,548,673	2.6%

<b>Rate C</b>				
<b>EKPC Member</b>	<b>Present</b>	<b>Final</b>	<b>Change</b>	<b>As Percent</b>
Big Sandy	\$ -	\$ -	\$ -	
Blue Grass	\$ -	\$ -	\$ -	
Clark	\$ -	\$ -	\$ -	
Cumberland Valley	\$ -	\$ -	\$ -	
Farmers	\$ 2,875,951	\$ 2,951,756	\$ 75,804	2.6%
Fleming-Mason	\$ 7,135,643	\$ 7,323,237	\$ 187,594	2.6%
Grayson	\$ -	\$ -	\$ -	
Inter-County	\$ -	\$ -	\$ -	
Jackson	\$ 1,001,698	\$ 1,027,537	\$ 25,839	2.6%
Licking Valley	\$ -	\$ -	\$ -	
Nolin	\$ -	\$ -	\$ -	
Owen	\$ -	\$ -	\$ -	
Salt River	\$ -	\$ -	\$ -	
Shelby	\$ -	\$ -	\$ -	
South Ky	\$ 5,690,287	\$ 5,841,773	\$ 151,486	2.7%
Taylor	\$ 449,732	\$ 461,248	\$ 11,516	2.6%
	\$ 17,153,311	\$ 17,605,550	\$ 452,238	2.6%

<b>Rate E</b>				
<b>EKPC Member</b>	<b>Present</b>	<b>Final</b>	<b>Change</b>	<b>As Percent</b>
Big Sandy	\$ 15,194,682	\$ 15,929,940	\$ 735,258	4.8%
Blue Grass	\$ 75,472,253	\$ 79,160,079	\$ 3,687,826	4.9%
Clark	\$ 31,113,089	\$ 32,623,992	\$ 1,510,903	4.9%
Cumberland Valley	\$ 29,974,144	\$ 31,421,531	\$ 1,447,387	4.8%
Farmers	\$ 31,649,009	\$ 33,198,129	\$ 1,549,120	4.9%
Fleming-Mason	\$ 30,724,488	\$ 32,207,720	\$ 1,483,231	4.8%
Grayson	\$ 15,892,923	\$ 16,660,933	\$ 768,010	4.8%
Inter-County	\$ 29,674,742	\$ 31,124,764	\$ 1,450,022	4.9%
Jackson	\$ 58,279,094	\$ 61,105,989	\$ 2,826,895	4.9%
Licking Valley	\$ 17,298,143	\$ 18,132,437	\$ 834,294	4.8%
Nolin	\$ 43,686,325	\$ 45,822,867	\$ 2,136,542	4.9%
Owen	\$ 74,903,441	\$ 78,540,230	\$ 3,636,790	4.9%
Salt River	\$ 75,530,233	\$ 79,217,543	\$ 3,687,310	4.9%
Shelby	\$ 23,218,841	\$ 24,344,807	\$ 1,125,966	4.8%
South Ky	\$ 79,696,530	\$ 83,594,165	\$ 3,897,636	4.9%
Taylor	\$ 31,773,345	\$ 33,322,474	\$ 1,549,129	4.9%
	\$ 664,081,280	\$ 696,407,599	\$ 32,326,319	4.9%

<b>Rate G</b>				
<b>EKPC Member</b>	<b>Present</b>	<b>Final</b>	<b>Change</b>	<b>As Percent</b>
Big Sandy	\$ -	\$ -	\$ -	
Blue Grass	\$ 5,730,294	\$ 5,874,687	\$ 144,393	2.5%
Clark	\$ -	\$ -	\$ -	
Cumberland Valley	\$ -	\$ -	\$ -	
Farmers	\$ -	\$ -	\$ -	
Fleming-Mason	\$ 13,625,132	\$ 13,976,173	\$ 351,041	2.6%
Grayson	\$ -	\$ -	\$ -	
Inter-County	\$ -	\$ -	\$ -	
Jackson	\$ -	\$ -	\$ -	
Licking Valley	\$ -	\$ -	\$ -	
Nolin	\$ 6,160,848	\$ 6,328,734	\$ 167,886	2.7%
Owen	\$ -	\$ -	\$ -	
Salt River	\$ -	\$ -	\$ -	
Shelby	\$ -	\$ -	\$ -	
South Ky	\$ -	\$ -	\$ -	
Taylor	\$ -	\$ -	\$ -	
	\$ 25,516,274	\$ 26,179,595	\$ 663,320	2.6%

<b>Contract</b>				
<b>EKPC Member</b>	<b>Present</b>	<b>Final</b>	<b>Change</b>	<b>As Percent</b>
Big Sandy	\$ -	\$ -	\$ -	
Blue Grass	\$ -	\$ -	\$ -	
Clark	\$ -	\$ -	\$ -	
Cumberland Valley	\$ -	\$ -	\$ -	
Farmers	\$ -	\$ -	\$ -	
Fleming-Mason	\$ -	\$ -	\$ -	
Grayson	\$ -	\$ -	\$ -	
Inter-County	\$ -	\$ -	\$ -	
Jackson	\$ -	\$ -	\$ -	
Licking Valley	\$ -	\$ -	\$ -	
Nolin	\$ -	\$ -	\$ -	
Owen	\$ 41,786,791	\$ 42,872,821	\$ 1,086,030	2.6%
Salt River	\$ -	\$ -	\$ -	
Shelby	\$ -	\$ -	\$ -	
South Ky	\$ -	\$ -	\$ -	
Taylor	\$ -	\$ -	\$ -	
	<b>\$ 41,786,791</b>	<b>\$ 42,872,821</b>	<b>\$ 1,086,030</b>	<b>2.6%</b>

<b>Steam</b>				
<b>EKPC Member</b>	<b>Present</b>	<b>Final</b>	<b>Change</b>	<b>As Percent</b>
Big Sandy	\$ -	\$ -	\$ -	
Blue Grass	\$ -	\$ -	\$ -	
Clark	\$ -	\$ -	\$ -	
Cumberland Valley	\$ -	\$ -	\$ -	
Farmers	\$ -	\$ -	\$ -	
Fleming-Mason	\$ 10,716,264	\$ 10,994,937	\$ 278,674	2.6%
Grayson	\$ -	\$ -	\$ -	
Inter-County	\$ -	\$ -	\$ -	
Jackson	\$ -	\$ -	\$ -	
Licking Valley	\$ -	\$ -	\$ -	
Nolin	\$ -	\$ -	\$ -	
Owen	\$ -	\$ -	\$ -	
Salt River	\$ -	\$ -	\$ -	
Shelby	\$ -	\$ -	\$ -	
South Ky	\$ -	\$ -	\$ -	
Taylor	\$ -	\$ -	\$ -	
	<b>\$ 10,716,264</b>	<b>\$ 10,994,937</b>	<b>\$ 278,674</b>	<b>2.6%</b>

Rate TGP				
EKPC Member	Present	Final	Change	As Percent
Big Sandy	\$ -	\$ -	\$ -	
Blue Grass	\$ -	\$ -	\$ -	
Clark	\$ -	\$ -	\$ -	
Cumberland Valley	\$ -	\$ -	\$ -	
Farmers	\$ -	\$ -	\$ -	
Fleming-Mason	\$ 3,422,394	\$ 3,422,394	\$ -	0.0%
Grayson	\$ -	\$ -	\$ -	
Inter-County	\$ -	\$ -	\$ -	
Jackson	\$ -	\$ -	\$ -	
Licking Valley	\$ -	\$ -	\$ -	
Nolin	\$ -	\$ -	\$ -	
Owen	\$ -	\$ -	\$ -	
Salt River	\$ -	\$ -	\$ -	
Shelby	\$ -	\$ -	\$ -	
South Ky	\$ -	\$ -	\$ -	
Taylor	\$ 2,927,454	\$ 2,927,454	\$ -	0.0%
	\$ 6,349,849	\$ 6,349,849	\$ -	0.0%

Total				
EKPC Member	Present	Final	Change	As Percent
Big Sandy	\$ 15,536,669	\$ 16,280,684	\$ 744,015	4.8%
Blue Grass	\$ 91,960,392	\$ 96,070,029	\$ 4,109,637	4.5%
Clark	\$ 31,113,089	\$ 32,623,992	\$ 1,510,903	4.9%
Cumberland Valley	\$ 29,974,144	\$ 31,421,531	\$ 1,447,387	4.8%
Farmers	\$ 34,524,960	\$ 36,149,884	\$ 1,624,924	4.7%
Fleming-Mason	\$ 65,623,921	\$ 67,924,461	\$ 2,300,540	3.5%
Grayson	\$ 17,626,559	\$ 18,439,371	\$ 812,813	4.6%
Inter-County	\$ 33,527,829	\$ 35,076,879	\$ 1,549,051	4.6%
Jackson	\$ 62,542,635	\$ 65,478,561	\$ 2,935,926	4.7%
Licking Valley	\$ 17,298,143	\$ 18,132,437	\$ 834,294	4.8%
Nolin	\$ 51,393,440	\$ 53,739,387	\$ 2,345,948	4.6%
Owen	\$ 132,382,139	\$ 137,526,060	\$ 5,143,921	3.9%
Salt River	\$ 83,379,874	\$ 87,265,943	\$ 3,886,069	4.7%
Shelby	\$ 33,178,496	\$ 34,555,250	\$ 1,376,754	4.1%
South Ky	\$ 89,374,774	\$ 93,525,503	\$ 4,150,730	4.6%
Taylor	\$ 35,982,424	\$ 37,564,768	\$ 1,582,344	4.4%
	\$ 825,419,487	\$ 861,774,741	\$ 36,355,254	4.4%

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2021-00109 DATED SEP 30 2021

The following rates and charges are prescribed for the customers served by Fleming-Mason Energy Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

SCHEDULE RSP  
Residential and Small Power

Customer Charge	\$ 15.57
Energy Charge per kWh	\$ 0.08330

SCHEDULE RSP-PPM  
Prepay Service

Consumer Facility Charge	\$ 15.57
Energy Charge per kWh	\$ 0.08330
Prepay Service Fee	\$ 5.00

SCHEDULE RSP-ETS  
Residential and Small Power ETS

Energy Charge - Off Peak per kWh	\$ 0.05079
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SCHEDULE RSP-TOD  
Residential & Small Power Time of Day (TOD)

Customer Charge	\$ 18.97
Energy Charge - On Peak per kWh	\$ 0.12514
Energy Charge - Off Peak per kWh	\$ 0.05779

SCHEDULE RSP-IB  
Inclining Block Rate

Customer Charge	\$ 15.57
Energy Charge - 0-300 kWh per kWh	\$ 0.06513
Energy Charge - 301-500 kWh per kWh	\$ 0.07551
Energy Charge - Over 500 kWh per kWh	\$ 0.10665

SCHEDULE SGS  
Small General Service

Customer Charge	\$ 51.10
Energy Charge per kWh	\$ 0.06342
Demand Charge per kW	\$ 7.69

SCHEDULE LGS  
Large General Service

Customer Charge	\$ 68.00
Energy Charge per kWh	\$ 0.05164
Demand Charge per kW	\$ 7.19

SCHEDULE OLS  
Outdoor Lighting Service

Rate per Month:

Mercury Vapor:	7,000 Lumen-Standard	\$ 8.98
Mercury Vapor:	7,000 Lumen-Ornamental	\$ 20.48
Mercury Vapor:	20,000 Lumen-Standard	\$ 17.26
Mercury Vapor:	20,000 Lumen-Ornamental	\$ 27.24

High Pressure Sodium:	9,500 Lumen-Standard	\$ 8.78
High Pressure Sodium:	9,500 Lumen-Ornamental	\$ 18.73
High Pressure Sodium:	9,500 Lumen- Directional	\$ 8.87
High Pressure Sodium:	22,000 Lumen-Standard	\$ 12.46
High Pressure Sodium:	22,000 Lumen-Ornamental	\$ 22.41
High Pressure Sodium:	22,000 Lumen- Directional	\$ 12.22
High Pressure Sodium:	50,000 Lumen-Standard	\$ 18.70
High Pressure Sodium:	50,000 Lumen-Ornamental	\$ 28.14
High Pressure Sodium:	50,000 Lumen- Directional	\$ 18.32

LED:	6,100 Lumen-Standard	\$ 9.13
LED:	9,500 Lumen-Standard	\$ 12.52
LED:	23,000 Lumen- Directional Flood	\$ 24.90

SCHEDULE AES  
All Electric School

Customer Charge	\$ 67.34
Energy Charge per kWh	\$ 0.08179

Special Contracted Service – EKPC Rate G

Customer Charge	\$5,726.70
Energy Charge per kWh	\$ 0.03978
Demand Charge per kW	\$ 7.30

Special Contracted Service – Steam

Energy Charge per MMBtu	\$ 4.26600
Demand Charge per MMBtu	\$ 604.75

SCHEDULE LIS 1  
Large Industrial Service

Customer Charge	\$ 634.70
Demand Charge per Billing kW	\$ 9.28
Energy Charge per kWh	\$ 0.05072

SCHEDULE LIS 2  
Large Industrial Service

Customer Charge	\$1,268.17
Demand Charge per Billing kW	\$ 9.28
Energy Charge per kWh	\$ 0.04685

SCHEDULE LIS 3  
Large Industrial Service

Customer Charge	\$1,268.17
Demand Charge per Billing kW	\$ 7.59
Energy Charge per kWh	\$ 0.04560

SCHEDULE LIS 4  
Large Industrial Service

Customer Charge	\$ 634.70
Demand Charge per Billing kW	\$ 7.44
Energy Charge per kWh	\$ 0.05123

SCHEDULE LIS 4B  
Large Industrial Service

Customer Charge	\$ 634.70
Demand Charge – per Contract kW	\$ 7.44
Demand Charge – per kW in Excess of Contract	\$ 10.36
Energy Charge per kWh	\$ 0.05123

SCHEDULE LIS 5  
Large Industrial Service

Customer Charge	\$1,268.17
Demand Charge per Billing kW	\$ 7.44
Energy Charge per kWh	\$ 0.04737

SCHEDULE LIS 5B  
Large Industrial Service

Customer Charge	\$1,268.17
Demand Charge – per Contract kW	\$ 7.44
Demand Charge – per kW in Excess of Contract	\$ 10.36
Energy Charge per kWh	\$ 0.04737

SCHEDULE LIS 6  
Large Industrial Service

Customer Charge	\$1,268.17
Demand Charge per Billing kW	\$ 7.44
Energy Charge per kWh	\$ 0.04261

SCHEDULE LIS 6B  
Large Industrial Service

Customer Charge	\$1,268.17
Demand Charge – per Contract kW	\$ 7.44
Demand Charge – per kW in Excess of Contract	\$ 10.36
Energy Charge per kWh	\$ 0.04261

SCHEDULE LIS 7  
Large Industrial Service

Customer Charge	\$1,268.17
Demand Charge per Billing kW	\$ 7.44
Energy Charge per kWh	\$ 0.04261

\*L Allyson Honaker  
Goss Samford, PLLC  
2365 Harrodsburg Road, Suite B325  
Lexington, KENTUCKY 40504

\*David S Samford  
Goss Samford, PLLC  
2365 Harrodsburg Road, Suite B325  
Lexington, KENTUCKY 40504

\*Honorable Earl Rogers III  
Attorney at Law  
Campbell & Rogers  
154 Flemingsburg Road  
Morehead, KENTUCKY 40351

\*Fleming-Mason Energy Cooperative, Inc.  
1449 Elizaville Road  
P. O. Box 328  
Flemingsburg, KY 41041

\*M. Todd Osterloh  
Sturgill, Turner, Barker & Moloney, PLLC  
333 West Vine Street  
Suite 1400  
Lexington, KENTUCKY 40507